



Training Proposal for:
Bottling Group LLC dba Pepsi Beverages Company
Agreement Number: ET12-0220

Panel Meeting of: **December 16, 2011**

ETP Regional Office: **San Francisco Bay Area**

Analyst: D. Woodside

PROJECT PROFILE

Contract
Type: Priority/Retrainee

Industry
Sector(s): Manufacturing

Counties
Served: Alameda

Repeat
Contractor: ☐ Yes ☒ No

Union(s): ☐ Yes ☒ No

Priority
Industry: ☒ Yes ☐ No

No. of Employees in CA: 4,675

No. of PepsiCo Employees 150,000
Worldwide:

Turnover Rate %	Manager/ Supervisor %
3%	10%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$249,390	\$0	\$249,390

In-Kind Contribution
\$501,000

TRAINING PLAN TABLE

Job No.	Job Description (by Contract Type)	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/Retrainee	Continuous Improvement, Manufacturing Skills	163	24-200	0	\$1,530	\$16.00
				Weighted Avg: 85			

Minimum Wage by County: \$15.70 per hour for Alameda County.

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☐ Yes ☒ No

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation	
Occupation Title	Wage Range
Production/Warehouse Worker	
Engineering/Technical Staff	
Administrative Staff	
Manager/Supervisor	

INTRODUCTION

In this proposal, Bottling Group LLC dba Pepsi Beverages Company (PBC Hayward or Company) seeks funding for retraining as outlined below:

Bottling Group LLC is a wholly-owned subsidiary of the international conglomerate PepsiCo. The bottling plant in Hayward which is the subject of this proposal has been in operation since 1996. It was one of five plants in California acquired by PepsiCo in February 2010. PBC Hayward manufactures carbonated and non-carbonated soft drinks, teas, juices, and waters which may be packaged in aluminum cans, PET (polyethylene terephthalate) bottles which can be recycled, and Bag-in-Box products for distribution in retail, grocers, and food service establishments. The company reports that it produces 25 million cases annually. Currently, there are over 400 employees at this location with an average hourly wage of \$26.00 and a comprehensive benefits package. The company is requesting ETP funding for 163 workers primarily involved in production-related activities.

Bottling Group LLC is also bringing a proposal for training this month for two of the other plants in California, located in Sacramento and Fresno (ET12-0221). Total funding amount for Bottling Group LLC when combined with funding requested on behalf of the other facilities, will not exceed \$1,200,000. Proposals for the other facilities will be presented at the Panel meeting in January 2012.

PBC Hayward meets the Panel's out-of-state competition requirements as industrially-classified manufacturer. (Title 22, California Code of Regulations, Section 4416(i).) This proposal also qualifies as a Priority Industry training program.

During the previous 18 months, PBC invested \$25 million as part of a green initiative that implemented manufacturing of PET bottles at the Hayward facility. This initiative allowed for the creation of 18 new production jobs at PBC Hayward. In addition, the Company is competing within Bottling Group LLC for additional production lines which could result in a \$10 million investment as well as additional jobs in Hayward. However, any future expansion and capital investment in the plant depends on current employees being retrained to use new equipment and technologies, create more complex products, and adapt to new production processes now required by the parent company.

Company representatives are seeking the Panel's assistance to establish a formal training program to improve frontline worker involvement in decision-making, and to build a team environment in the production side of its operation. Now that Bottling Group LLC has installed new equipment and is requiring high performance workplace practices and processes, PBC Hayward needs to retrain its production-related staff to achieve higher levels of productivity and efficiency. A successful retraining effort as outlined in this proposal will help retain high wage, high skilled manufacturing jobs in Alameda County.

PROJECT DETAILS

PBC Hayward will provide between 24 - 200 classroom/laboratory hours per trainee in the types of training outlined below. All training will be delivered primarily by qualified, experienced, in-house staff.

Manufacturing Skills will be provided to all occupations to support implementation of the Total Productive Manufacturing Program (TPM) and Maintenance Education and Training Plan (METP) programs. According to company representatives, this comprehensive program represents a new stage in quality improvement. It is designed to reduce costs as it increases levels of product quality, service, and environmental performance company-wide including raw material handling, manufacturing, maintenance, warehousing, and production-related administrative functions. The objective is a "march to zero" implemented by Bottling Group LLC. This means zero losses to scrap and waste, zero safety incidents, zero product quality issues, zero customer complaints, and zero adverse environmental impacts. While previous quality efforts have been aimed at reducing waste and limiting defects, the new initiative is aimed at completely eliminating waste and defects through many small actions taken by employees working in all areas of the plant. In addition, training and cross-training in equipment operation, maintenance, and trouble-shooting will be provided.

Continuous Improvement Skills will be delivered to all occupations. A High Performance Work Systems (HPWS) program will introduce newly-designed courses in Lean Manufacturing, equipment optimization, problem solving, performance teams, business education, sequence/theory of operations, and process best practices. Each trainee will learn facilitation skills, how to ask effective questions, how to link training to business results, and how to set specific, measurable, and realistic goals. HPWS training encompasses all facets of the plant and is rolled out in tiers. Employees will be taught a series of courses to include the following: Focused Improvement in which the trainee is taught to identify losses, and prioritize and implement improvements; Organizational Capability where the employee will gain the knowledge and skills to analyze and improve organization structure, and improve team effectiveness; and Supply Chain training which will teach the employee to identify and eliminate supply chain losses.

Training will also be provided on manufacturing related data systems and applications which will replace an outdated and inefficient information technology system.

Commitment to Training

Prior to the acquisition of PBC Hayward by PepsiCo, training programs at the Hayward facility were limited in scope to mandatory safety training. Recently, PBC Hayward has increased its ongoing training in the following areas: new employee orientation; manufacturing on-the-job training; safety and hazardous materials training; management skills; forklift training; basic computer skills; and anti-harassment training. The company estimates that its current training budget for Hayward employees is approximately \$200,000 annually.

The Company's commitment to training its workers will continue to be a significant goal for the Hayward plant. Further, company representatives report that in order to improve and compete in a global market, it is imperative to invest in training on the newest technologies and quality improvement processes. PBC Hayward anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment in this area.

PBC Hayward represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

DEVELOPMENT SERVICES

PBC Hayward retained Training Grants Intelligence, Inc. (TGII) in Loveland, Ohio, to assist with development of this proposal. TGII has had a national contract for seven years with PepsiCo and because of the long-term relationship prepared the application documents for Pepsi Hayward at no cost.

ADMINISTRATIVE SERVICES

PBC Hayward has also retained TGII to perform administrative services in connection with this proposal for a fee not to exceed 10% of payment earned.

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

24 -200

Trainees may receive any of the following:

CONTINUOUS IMPROVEMENT

- + High Performance Work Systems (HPWS)
- + Business Performance/Skills Enhancement
- + Communication Skills
- + Project Management
- + Systems, Applications and Products
- + Productivity to Grow
- + Winning Together
- + Make it Here
- + Simply Zero
- + Leadership Skills for Frontline Workers
- + Quality Concepts
- + Just in Time Processes
- + Process Improvement
- + Frontline Huddles
- + Teambuilding
- + Problem Solving
- + Good Manufacturing Practices and Processes
- + Early Management
- + Focus Improvement
- + Quality Management
- + Organizational Capability

MANUFACTURING SKILLS

- + Maintenance Education and Training Plan (METP)
- + Total Productive Manufacturing
- + Maintenance Processes
- + Material Improvement
- + Preventative Maintenance
- + Production Equipment Operation and Maintenance
- + Cross Training in Operations and Maintenance
- + Autonomous Maintenance
- + Operator Process/Equipment
- + Technician Processes
- + Electrical & Electronic Equipment Operation, Maintenance and Repair
- + Pneumatic Equipment Operation
- + Electrical Systems Technology
- + Kronos Computer System Overhaul Training

Note: Reimbursement for retraining is capped at 200 total training hours per trainee regardless of the method of delivery.